



## Senate

General Assembly

**File No. 283**

February Session, 2018

Substitute Senate Bill No. 337

*Senate, April 5, 2018*

The Committee on Energy and Technology reported through SEN. WINFIELD of the 10th Dist. and SEN. FORMICA of the 20th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT REQUIRING THE PUBLIC UTILITIES REGULATORY  
AUTHORITY TO INITIATE A DOCKET TO STUDY RENEWABLE  
NATURAL GAS AND CONCERNING CONTRACTS FOR ELECTRICITY  
GENERATED FROM A BIOMASS FACILITY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) (a) The Public Utilities
- 2 Regulatory Authority shall initiate a docket to study renewable natural
- 3 gas. On or before November 1, 2018, the authority shall submit a
- 4 report, in accordance with the provisions of section 11-4a of the general
- 5 statutes, including a review and any recommendations concerning
- 6 renewable natural gas to the joint standing committee of the General
- 7 Assembly having cognizance of matters relating to energy.
- 8 (b) The authority shall, in the docket initiated pursuant to
- 9 subsection (a) of this section, review and make recommendations
- 10 regarding a definition of "renewable natural gas", a renewable
- 11 portfolio standard for renewable natural gas, a procurement process

12 for renewable natural gas and the establishment of a quality standard  
13 for renewable natural gas.

14 Sec. 2. Subsection (h) of section 16-244c of the 2018 supplement to  
15 the general statutes is repealed and the following is substituted in lieu  
16 thereof (*Effective October 1, 2018*):

17 (h) (1) Notwithstanding the provisions of subsection (b) of this  
18 section regarding an alternative standard service option, an electric  
19 distribution company providing standard service, supplier of last  
20 resort service or back-up electric generation service in accordance with  
21 this section shall contract with its wholesale suppliers to comply with  
22 the renewable portfolio standards. The Public Utilities Regulatory  
23 Authority shall annually conduct an uncontested proceeding in order  
24 to determine whether the electric distribution company's wholesale  
25 suppliers met the renewable portfolio standards during the preceding  
26 year. On or before December 31, 2013, the authority shall issue a  
27 decision on any such proceeding for calendar years up to and  
28 including 2012, for which a decision has not already been issued. Not  
29 later than December 31, 2014, and annually thereafter, the authority  
30 shall, following such proceeding, issue a decision as to whether the  
31 electric distribution company's wholesale suppliers met the renewable  
32 portfolio standards during the preceding year. An electric distribution  
33 company shall include a provision in its contract with each wholesale  
34 supplier that requires the wholesale supplier to pay the electric  
35 distribution company an amount of: (A) For calendar years up to and  
36 including calendar year 2017, five and one-half cents per kilowatt hour  
37 if the wholesale supplier fails to comply with the renewable portfolio  
38 standards during the subject annual period, and (B) for calendar years  
39 commencing on and after January 1, 2018, five and one-half cents per  
40 kilowatt hour if the wholesale supplier fails to comply with the  
41 renewable portfolio standards during the subject annual period for  
42 Class I renewable energy sources, and two and one-half cents per  
43 kilowatt hour if the wholesale supplier fails to comply with the  
44 renewable portfolio standards during the subject annual period for  
45 Class II renewable energy sources. The electric distribution company

46 shall promptly transfer any payment received from the wholesale  
47 supplier for the failure to meet the renewable portfolio standards to  
48 the Clean Energy Fund for the development of Class I renewable  
49 energy sources, provided, on and after June 5, 2013, any such payment  
50 shall be refunded to ratepayers by using such payment to offset the  
51 costs to all customers of electric distribution companies of the costs of  
52 contracts entered into pursuant to sections 16-244r and 16-244t. Any  
53 excess amount remaining from such payment shall be applied to  
54 reduce the costs of contracts entered into pursuant to subdivision (2) of  
55 this subsection, and if any excess amount remains, such amount shall  
56 be applied to reduce costs collected through nonbypassable, federally  
57 mandated congestion charges, as defined in section 16-1.

58 (2) Notwithstanding the provisions of subsection (b) of this section  
59 regarding an alternative standard service option, an electric  
60 distribution company providing transitional standard offer service,  
61 standard service, supplier of last resort service or back-up electric  
62 generation service in accordance with this section shall, not later than  
63 July 1, 2008, file with the Public Utilities Regulatory Authority for its  
64 approval one or more long-term power purchase contracts from Class I  
65 renewable energy source projects with a preference for projects located  
66 in Connecticut that receive funding from the Clean Energy Fund and  
67 that are not less than one megawatt in size, at a price that is either, at  
68 the determination of the project owner, (A) not more than the total of  
69 the comparable wholesale market price for generation plus five and  
70 one-half cents per kilowatt hour, or (B) fifty per cent of the wholesale  
71 market electricity cost at the point at which transmission lines intersect  
72 with each other or interface with the distribution system, plus the  
73 project cost of fuel indexed to natural gas futures contracts on the New  
74 York Mercantile Exchange at the natural gas pipeline interchange  
75 located in Vermillion Parish, Louisiana that serves as the delivery  
76 point for such futures contracts, plus the fuel delivery charge for  
77 transporting fuel to the project, plus five and one-half cents per  
78 kilowatt hour. In its approval of such contracts, the authority shall give  
79 preference to purchase contracts from those projects that would  
80 provide a financial benefit to ratepayers and would enhance the

81 reliability of the electric transmission system of the state. Such projects  
82 shall be located in this state. The owner of a fuel cell project principally  
83 manufactured in this state shall be allocated all available air emissions  
84 credits and tax credits attributable to the project and no less than fifty  
85 per cent of the energy credits in the Class I renewable energy credits  
86 program established in section 16-245a attributable to the project. On  
87 and after October 1, 2007, and until September 30, 2008, such contracts  
88 shall be comprised of not less than a total, apportioned among each  
89 electric distribution company, of one hundred twenty-five megawatts;  
90 and on and after October 1, 2008, such contracts shall be comprised of  
91 not less than a total, apportioned among each electrical distribution  
92 company, of one hundred fifty megawatts. The Public Utilities  
93 Regulatory Authority shall not issue any order that results in the  
94 extension of any in-service date or contractual arrangement made as a  
95 part of Project 100 or Project 150 beyond the termination date  
96 previously approved by the authority established by the contract,  
97 provided any party to such contract may provide a notice of  
98 termination in accordance with the terms of, and to the extent  
99 permitted under, its contract, except the authority shall grant, upon  
100 request, an extension of the latest of any such in-service date by (i)  
101 twelve months for any project located in a distressed municipality, as  
102 defined in section 32-9p, with a population of more than one hundred  
103 twenty-five thousand, and (ii) not more than thirty-six months for any  
104 project having a capacity of less than five megawatts, provided any  
105 such project (I) commences construction by April 30, 2015, and (II) the  
106 authority has provided previous approval of such contract. The cost of  
107 such contracts and the administrative costs for the procurement of  
108 such contracts directly incurred shall be eligible for inclusion in the  
109 adjustment to any subsequent rates for standard service, provided  
110 such contracts are for a period of time sufficient to provide financing  
111 for such projects, but not less than ten years, and are for projects which  
112 began operation on or after July 1, 2003. Except as provided in this  
113 subdivision, the amount from Class I renewable energy sources  
114 contracted under such contracts shall be applied to reduce the  
115 applicable Class I renewable energy source portfolio standards. For

116 purposes of this subdivision, the authority's determination of the  
 117 comparable wholesale market price for generation shall be based upon  
 118 a reasonable estimate. On or before September 1, 2011, the authority, in  
 119 consultation with the Office of Consumer Counsel and the Connecticut  
 120 Green Bank, shall study the operation of such renewable energy  
 121 contracts and report its findings and recommendations to the joint  
 122 standing committee of the General Assembly having cognizance of  
 123 matters relating to energy.

124 (3) Notwithstanding the provisions of subsection (b) of this section  
 125 regarding an alternative standard service option, an electric  
 126 distribution company providing transitional standard offer service,  
 127 standard service, supplier of last resort service or back-up electric  
 128 generation service in accordance with this section that has within its  
 129 service territory a biomass facility that is a Class I renewable energy  
 130 source and began operation after December 1, 2013, shall, not later  
 131 than July 1, 2018, file with the Public Utilities Regulatory Authority for  
 132 its approval a ten-year power purchase contract with such facility for  
 133 generation equivalent to seven and one-half megawatts of electric  
 134 capacity.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>October 1, 2018</i>	16-244c(h)

**Statement of Legislative Commissioners:**

In Sec. 2, new Subdiv. (3) was added to existing Subsec. (h) for consistency with standard drafting conventions.

**ET**            *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### ***OFA Fiscal Note***

#### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 19 \$</b>	<b>FY 20 \$</b>
Public Utilities Regulatory Authority (PURA)	CC&PUCF - Cost	Up to \$125,000	None
Consumer Counsel	CC&PUCF - Cost	Up to \$125,000	None

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

***Municipal Impact:*** None

#### ***Explanation***

The bill requires the Public Utilities Regulatory Authority (PURA) to open a proceeding to study and make recommendations about renewable natural gas no later than November 1, 2018. As PURA and the Office of the Consumer Counsel currently do not have expertise in renewable natural gas, the two agencies would each incur one-time costs of up to \$125,000 in FY 19, to hire outside consultants for this purpose.

#### ***The Out Years***

The bill requires an electric distribution company (i.e., Eversource or United Illuminating) to file for PURA's approval for a 10-year contract to purchase 7.5 megawatts of electric capacity from a certain renewable energy facility. Contracts of this type are anticipated to be above current market rates, and therefore are anticipated to result in increased electricity rates for the state and municipalities, as ratepayers, in the outyears.

**OLR Bill Analysis****sSB 337*****AN ACT REQUIRING THE PUBLIC UTILITIES REGULATORY AUTHORITY TO INITIATE A DOCKET TO STUDY RENEWABLE NATURAL GAS AND CONCERNING CONTRACTS FOR ELECTRICITY GENERATED FROM A BIOMASS FACILITY.*****SUMMARY**

This bill requires an electric distribution company (EDC, i.e., Eversource or United Illuminating) to file for the Public Utilities Regulatory Authority's (PURA) approval a 10-year contract to purchase 7.5 megawatts of electric capacity from a Class I renewable energy biomass facility that began operating after December 1, 2013, if such a facility is within the EDC's service territory (see BACKGROUND). It requires the EDC to file the contract with PURA by July 1, 2018 (however, the requirement to file the contract does not become effective until October 1, 2018).

The bill also requires PURA to open a proceeding to study renewable natural gas. Under the bill, PURA must review and make recommendations on a renewable natural gas (1) definition, (2) renewable portfolio standard (i.e., requirement to buy a certain percentage of the gas), (3) procurement process, (4) and quality standard. The authority must submit a report of its review and recommendations to the Energy and Technology Committee by November 1, 2018.

EFFECTIVE DATE: October 1, 2018, except the provision regarding renewable natural gas is effective upon passage.

**BACKGROUND*****Class I Biomass Facility***

By law, a Class I renewable energy biomass facility must (1) use a

sustainable biomass fuel (e.g., waste wood) and have an average emission rate of no more than 0.075 pounds of nitrogen oxides per million BTU of heat input per quarter or (2) be a biomass facility with a capacity under 500 kilowatts that began construction before July 1, 2003 (CGS § 16-1(a)(20)). The Plainfield Renewable Energy biomass facility is currently the state's only Class I biomass facility that began operating after December 1, 2013. It is within Eversource's service territory.

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 25 Nay 0 (03/20/2018)